

MICHELLE HOPING CHOW, TRUSTEE
5401 N. CENTRAL EXPRESSWAY SUITE 218
DALLAS, TEXAS 75205
(214) 521-6627
(214) 320-2966 FAX
MHCHOW@SWBELL.NET

March 29, 2006

Timothy W. O'Neal
Office of the United States Trustees
300 Plaza Tower
110 North College Avenue
Tyler, TX 75703

Re: Furniture Makers Inc. Case # 03-40456

Dear Mr. O'Neal:

This letter is to document the case administration of the Furniture Makers case. I will explain the rationale for proceeding with administering assets and the reason for no return to unsecured creditors.

The corporate debtor filed its Chapter 7 Voluntary Petition on January 28, 2003. The debtors schedules were filed and first available for review on February 18, 2003.

There were two main assets to administer in this case. One asset was a piece of unimproved land in Sherman, Texas. This asset was ultimately sold and the net proceeds deposited into the estate bank account. The gross proceeds from the sale was \$49,950.00. After closing costs, realtor fees, and taxes, the net amount deposited to the estate bank account was \$45,456.00.

The other asset was the inventory of furniture located at three retail store locations. Based on the debtor's scheduled fair value of \$260,000, the secured claims listed on schedule D (First National Bank of Van Alstyne/Texas Star Bank at \$18,000 and SPCI at \$60,000), and adding all the priority tax claims listed on Schedule E at approximately \$71,476.64, it appeared that there would likely be a meaningful amount of equity for other claims. No "lay-a-way" customers or other retail customers were listed as creditors on the original Schedules.

The first Meeting of Creditors was held and concluded on March 24, 2003. I sent a copy of the Creditor Sign-In Sheet to the Debtor's attorney and requested that he add these creditors - mostly lay-a-way customers of the various Furniture Makers stores - to the service list. The creditors were also advised to file proofs of claim.

Shortly after April 8, 2003, a conference call was conducted between you, Lisa Lambert (then assigned to even numbered cases), Howard Spector (counsel for the Trustee), and myself to discuss the most appropriate procedures for proceeding with the estate auction of inventory. The first Motion to Sell proposed the services of one of the secured creditors to act as auctioneer (SPCI). While this practice may have been employed in other cases in the Northern District of Texas in past years, and while the

Motion was filed for any interested party to see the transparency of the intent of the estate, I clearly understood after our conference call that we should use auctioneers from the recommended and approved bonded auctioneers list.

On April 22, 2003, I filed a Motion to Sell employing the services of Brunson & Associates, who are on the U.S. Trustee's list of approved, bonded auctioneers. The two secured claimants filed Objections to the Second Motion to Sell. Ultimately, the sale was conducted via our auctioneer.

The initial estimate of furniture inventory by the auctioneer was for \$150,000 to \$175,000. Using this amount as a basis, I calculated that there would still be a modest return for the individual customer claims, particularly with an assumption of an agreed order reducing the administrative rent and possibly surcharging the two secured claims. The goal was to have a return to those individual customers who would have had no other way to receive any benefit had the inventory not been administered.

While SPCI did make a written offer to the Trustee for purchase of the inventory at \$130,000, at the time, the estimates from the estate's auctioneer was still higher. For that reason, I proceeded with the auction sale. The actual amount deposited to the estate bank account was \$123,609.50, roughly 75% of the original estimate amount.

Below is a listing of various auction estimates and the gross proceeds from each. I note that it is probably not statistically significant, but it does show how selected auction results can be significantly more or less than the anticipated amount: Each was with a U.S. Trustee approved auctioneer and are actual trustee cases administered or currently being administered:

Asset Description	Actual proceeds as % of Auctioneer's Estimate
commercial nursery fast sale in the middle of July	36%
commercial nursery	64%
work truck/vehicles	176%
collectible action figures	162%
Single vehicle	100%
construction equipment	100%

In order to stem the amount of administrative rent, it was then necessary for the estate's attorney to file Objections to their claim which ultimately ending in 2 rounds of Agreed Orders. The first set of agreed orders with each landlord was mid-2003. The second order granted January 24, 2006 further reduced administrative rent, trustee attorney's fees, and remaining secured claims in an effort to return more to priority level claimants.

From November 2003 through May 2004, most of the focus of estate professionals was on the sale of the Sherman property. After this was completed, all assets were deemed administered and I turned my attention to the estate tax return.

Around October 8, 2004, I filed a motion to hire the accountant and assisted with the collection of financial documents necessary to prepare the estate tax returns. The estate tax return was filed on February 8, 2005 and accepted as filed by the IRS on March 24, 2005.

In December 2004, attention was focused on the claim by First National Bank of Van Alstyne/Texas Star Bank. This creditor was paid at the end of 2004.

From January through March 2005, attention began to focus on claims review and objections. The first round of claims objections were filed around January 26, 2005 and Orders granted in March 2005. During this time, I had several meetings and discussions with my counsel regarding claims and proposed distribution schemes, as well as the actions needed such as surcharge motions or use of information from the Trustee's Handbook and training manuals. With 48 filed claims (per Pacer as of June 21, 2005), it took multiple rounds and discussions to properly review them all. At the time of the Final Report, 49 claims have been filed.

The purpose of administering the inventory was so that at least some of the priority customers might receive a modest distribution. With significant help from trustee's counsel and from studying the Chapter 7 Trustee Training Manual, under the Claims Review tab and section entitled "Chapter 7 Training Handout: Subordination of Tax Liens", I was able to calculate a proposed distribution where the customer who filed priority claims (customer deposits) would receive a significant distribution. This is the proposed distribution attached to the Trustee's Final Report dated March 29, 2006.

This concludes my summary of case administration and the rationale for administering the two assets. The actions as outlined above were, I believe, appropriate given the information at each point in time, and always forward thinking to the ultimate distribution to the most levels of claimants.

Sincerely,

A handwritten signature in black ink that reads "Michelle H. Chow". The signature is written in a cursive, flowing style.

Michelle H. Chow, Trustee